

# **Mthonjaneni Local Municipality**

(Registration number KZ 285)

Annual Financial Statements for the year ended 30 June 2015

## **General Information**

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### **Mayoral committee**

**Executive Mayor**

**Councillors**

Cllr M.N Ndlangamandla  
Cllr N.A Jiyane (Speaker)  
Cllr G.V.P Gumede (Deputy Mayor)  
Cllr M.N Biyela (Exco Member)  
Cllr E Masikane  
Cllr H.K.L Zungu  
Cllr M Khuzwayo (MPAC Member)  
Cllr P.E Ntombela  
Cllr M.S Zulu  
Cllr Cllr S.B.K Biyela  
Cllr Ndwandwe

**Accounting Officer**

Mr R.P Mnguni

**Chief Finance Officer (CFO)**

Ms T.N Simamane

**Registered office**

Mthonjaneni Municipality

**Business address**

21 Reinhold Street  
Melmoth  
3835

**Postal address**

P.O.Box 11  
Melmoth  
3835

**Auditors**

Auditor General  
Chartered Accountants (S.A.)  
Registered Auditors

**Attorneys**

Wynne & Wynne

**Telephone number**

(035) 450 2082

**Fax number**

(035) 450 2056

**Email-address**

mm@mthonjaneni.org.za

**Bankers**

Firt National Bank

# **Mthonjaneni Local Municipality**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### **Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Mthonjaneni Local Municipality**

(Registration number KZ 285)

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## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The accounting officer certify that salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2015 and were signed on its behalf by:



**Mr R.P Mnguni**  
**Municipal Manager**

# Mthonjaneni Local Municipality

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## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	481 154	620 614
Receivables from non-exchange transactions	10	15 490 036	8 077 189
VAT receivable	11	239 758	793 013
Consumer debtors	12	3 711 048	2 835 971
Investments		-	25 870 397
Cash and cash equivalents	13	49 259 099	20 266 665
		<b>69 181 095</b>	<b>58 463 849</b>
<b>Non-Current Assets</b>			
Biological assets	3	2 264 535	3 971 018
Investment property	4	2 408 420	2 449 250
Property, plant and equipment	5	159 720 128	143 860 097
Intangible assets	6	125 317	159 145
Heritage assets	7	589	589
		<b>164 518 989</b>	<b>150 440 099</b>
<b>Total Assets</b>		<b>233 700 084</b>	<b>208 903 948</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	16	4 758 333	3 710 472
Consumer deposits	17	1 018 942	1 016 226
Unspent conditional grants and receipts	14	295 135	-
Provisions	15	485 657	345 937
		<b>6 558 067</b>	<b>5 072 635</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	8	2 563 000	2 298 000
Provisions	15	2 382 527	4 815 810
		<b>4 945 527</b>	<b>6 911 810</b>
<b>Total Liabilities</b>		<b>11 503 594</b>	<b>11 984 445</b>
<b>Net Assets</b>		<b>222 196 490</b>	<b>196 919 503</b>
Accumulated surplus		<b>222 149 354</b>	<b>196 919 503</b>

# Mthonjaneni Local Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	20 576 708	19 118 537
Rental of facilities and equipment	27	366 402	244 721
Licences and permits	26	2 359 911	2 441 629
Other income	22	4 911 115	1 463 381
Interest received - Investment	28	2 901 295	4 209 775
<b>Total revenue from exchange transactions</b>		<b>31 115 431</b>	<b>27 478 043</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	19	7 361 564	6 978 531
Property rates - penalties imposed	19	678 305	527 353
<b>Transfer revenue</b>			
Government grants & subsidies	21	53 258 865	47 292 108
Fines, Penalties and Forfeits		18 232 020	15 883 762
<b>Total revenue from non-exchange transactions</b>		<b>79 530 754</b>	<b>70 681 754</b>
<b>Total revenue</b>	18	<b>110 646 185</b>	<b>98 159 797</b>
<b>Expenditure</b>			
Employee related costs	24	(23 722 047)	(19 649 413)
Remuneration of councillors	25	(2 943 509)	(2 843 194)
Depreciation and amortisation	29	(4 693 341)	(3 072 835)
Impairment loss/ Reversal of impairments	30	(2 409 656)	(1 767 654)
Repairs and maintenance	33	(2 765 840)	(2 114 894)
Bulk purchases	34	(18 194 021)	(16 887 374)
Contracted services	32	(2 366 289)	(4 040 942)
General Expenses	23	(28 274 579)	(35 859 537)
<b>Total expenditure</b>		<b>(85 369 262)</b>	<b>(86 235 843)</b>
Gain on disposal of assets and liabilities		-	43 396
<b>Surplus for the year</b>		<b>25 276 923</b>	<b>11 967 350</b>

## **Mthonjaneni Local Municipality**

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### **Statement of Changes in Net Assets**

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	176 029 552	176 029 552
Adjustments		
Prior year adjustments	8 918 948	8 918 948
<b>Balance at 01 July 2013 as restated*</b>	<b>184 948 500</b>	<b>184 948 500</b>
Changes in net assets		
Surplus for the year	11 967 350	11 967 350
Total changes	11 967 350	11 967 350
<b>Balance at 01 July 2014</b>	<b>196 915 850</b>	<b>196 915 850</b>
Changes in net assets		
Surplus for the year	25 276 923	25 276 923
Total changes	25 276 923	25 276 923
<b>Balance at 30 June 2015</b>	<b>222 192 773</b>	<b>222 192 773</b>

Note(s)

# Mthonjaneni Local Municipality

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## Cash Flow Statement

Figures In Rand	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		7 185 093	-
Sale of goods and services		27 892 312	31 546 536
Grants		65 227 949	33 766 256
Interest income		2 901 295	4 209 775
Other receipts		-	1 028 672
		103 206 649	70 551 239
<b>Payments</b>			
Employee costs		(26 398 556)	(22 492 608)
Suppliers		(52 604 233)	(39 229 790)
		(78 902 789)	(61 722 398)
<b>Net cash flows from operating activities</b>	35	<b>24 303 860</b>	<b>8 828 841</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(21 181 888)	(29 815 359)
Proceeds from sale of property, plant and equipment	5	-	208 483
Purchase of other intangible assets	6	-	(139 610)
<b>Net cash flows from investing activities</b>		<b>(21 181 888)</b>	<b>(29 746 485)</b>
<b>Cash flows from financing activities</b>			
Movement in consumer deposits		-	13 986
<b>Net Increase/(decrease) in cash and cash equivalents</b>		<b>3 121 972</b>	<b>(20 903 658)</b>
Cash and cash equivalents at the beginning of the year		46 137 063	67 040 721
<b>Cash and cash equivalents at the end of the year</b>	13	<b>49 259 035</b>	<b>46 137 063</b>

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	20 833 278	-	20 833 278	20 576 708	(256 570)
Rental of facilities and equipment	435 880	-	435 880	366 402	(69 478)
Licences and permits	3 344 032	-	3 344 032	2 359 911	(984 121)
Rezoning	15 000	-	15 000	-	(15 000)
Other income	481 080	423 000	904 080	4 911 115	4 007 035
Interest received - Investment	2 800 000	-	2 800 000	2 901 295	101 295
<b>Total revenue from exchange transactions</b>	<b>27 909 270</b>	<b>423 000</b>	<b>28 332 270</b>	<b>31 115 431</b>	<b>2 783 161</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	9 274 189	-	9 274 189	7 361 584	(1 912 625)
Property rates - penalties imposed	475 200	159 000	634 200	678 305	44 105
<b>Transfer revenue</b>					
Government grants & subsidies	53 554 000	-	53 554 000	53 258 885	(295 135)
Fines, Penalties and Forfeits	3 002 500	14 773 253	17 776 753	18 232 020	456 267
<b>Total revenue from non-exchange transactions</b>	<b>66 305 889</b>	<b>14 932 253</b>	<b>81 238 142</b>	<b>79 630 754</b>	<b>(1 707 388)</b>
<b>Total revenue</b>	<b>94 215 159</b>	<b>15 355 253</b>	<b>109 570 412</b>	<b>110 646 185</b>	<b>1 075 773</b>
<b>Expenditure</b>					
Personnel	(24 487 962)	(611 000)	(25 098 962)	(23 722 047)	1 376 915
Remuneration of councillors	(2 750 669)	(353 000)	(3 103 669)	(2 943 509)	160 160
Depreciation and amortisation	(3 300 000)	(1 394 000)	(4 694 000)	(4 693 341)	659
Impairment loss/ Reversal of impairments	-	(2 409 656)	(2 409 656)	(2 409 656)	-
Repairs and maintenance	(2 501 310)	(542 000)	(3 043 310)	(2 765 840)	277 470
Bulk purchases	(18 867 507)	(176 000)	(19 043 507)	(18 194 021)	851 486
Contracted Services	(2 745 600)	-	(2 745 600)	(2 366 289)	379 331
General Expenses	(17 606 952)	(15 031 344)	(32 638 296)	(28 274 579)	4 363 717
<b>Total expenditure</b>	<b>(72 260 000)</b>	<b>(20 519 000)</b>	<b>(92 779 000)</b>	<b>(85 389 262)</b>	<b>7 409 738</b>
<b>Surplus before taxation</b>	<b>21 955 159</b>	<b>(5 163 747)</b>	<b>16 791 412</b>	<b>25 276 923</b>	<b>8 485 511</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>21 955 159</b>	<b>(5 163 747)</b>	<b>16 791 412</b>	<b>25 276 923</b>	<b>8 485 511</b>

For explanations of variances between the budget and actual figures please refer to note 44.



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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (l.t.o. s28 and budget s31 of the MFMA)	Final adjustments (l.t.o. council approved policy)	Shifting of funds (l.t.o. MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2015</b>										
<b>Financial Performance</b>										
Property rates	9 749 389	159 000	9 908 389	-	9 908 389	8 039 869	-	(1 868 520)	81 %	82 %
Service charges	20 833 278	-	20 833 278	-	20 833 278	20 576 708	-	(256 570)	99 %	99 %
Investment revenue	2 800 000	-	2 800 000	-	2 800 000	2 901 295	-	101 295	104 %	104 %
Transfers recognised - operational	37 944 000	-	37 944 000	-	37 944 000	37 767 224	-	(176 776)	100 %	100 %
Other own revenue	7 278 492	15 196 253	22 474 745	-	22 474 745	25 869 448	-	3 394 703	115 %	355 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>78 605 159</b>	<b>15 355 253</b>	<b>93 960 412</b>	<b>-</b>	<b>93 960 412</b>	<b>95 154 544</b>	<b>-</b>	<b>1 194 132</b>	<b>101 %</b>	<b>121 %</b>
Employee costs	(24 487 962)	(611 000)	(25 098 962)	-	(25 098 962)	(23 722 047)	-	1 376 915	95 %	97 %
Remuneration of councillors	(2 750 669)	(353 000)	(3 103 669)	-	(3 103 669)	(2 943 509)	-	160 160	95 %	107 %
Depreciation and asset impairment	(3 300 000)	(3 803 656)	(7 103 656)	-	(7 103 656)	(7 102 997)	-	659	100 %	215 %
Materials and bulk purchases	(18 867 507)	(178 000)	(19 045 507)	-	(19 045 507)	(18 194 021)	-	851 486	96 %	96 %
Other expenditure	(22 853 862)	(15 573 344)	(38 427 206)	-	(38 427 206)	(33 406 688)	-	5 020 518	87 %	146 %
<b>Total expenditure</b>	<b>(72 260 000)</b>	<b>(20 519 000)</b>	<b>(92 779 000)</b>	<b>-</b>	<b>(92 779 000)</b>	<b>(85 369 262)</b>	<b>-</b>	<b>7 409 738</b>	<b>92 %</b>	<b>118 %</b>
<b>Surplus/(Deficit)</b>	<b>6 345 159</b>	<b>(5 163 747)</b>	<b>1 181 412</b>	<b>-</b>	<b>1 181 412</b>	<b>9 785 282</b>	<b>-</b>	<b>8 603 870</b>	<b>828 %</b>	<b>154 %</b>

# Mthonjaneni Local Municipality

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## Appropriation Statement

Figures In Rand	Original budget	Budget adjustments (l.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (l.t.o. s31 of the MFMA)	Virement (l.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	15 610 000	-	15 610 000	-	-	15 610 000	15 491 841	-	(118 359)	99 %	99 %
Surplus (Deficit) after capital transfers and contributions	21 955 159	(5 163 747)	16 791 412	-	-	16 791 412	25 276 923	-	8 485 511	151 %	115 %
Surplus/(Deficit) for the year	21 955 159	(5 163 747)	16 791 412	-	-	16 791 412	25 276 923	-	8 485 511	151 %	115 %
Capital expenditure and funds sources											
Cash flows											
Net cash from (used) operating	-	-	-	-	-	-	24 303 860	-	24 303 860	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(21 181 888)	-	(21 181 888)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	3 121 972	-	3 121 972	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	46 137 063	-	46 137 063	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	-	49 259 035	-	(49 259 035)	DIV/0 %	DIV/0 %

# Mthonjaneni Local Municipality

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## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2014</b>				
<b>Financial Performance</b>				
Property rates				7 505 884
Service charges				19 118 537
Investment revenue				4 209 775
Transfers recognised - operational				21 446 902
Other own revenues				20 076 889
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>72 357 987</b>
Employee costs				(19 649 413)
Remuneration of councillors				(2 843 194)
Depreciation and asset impairment				(4 840 489)
Materials and bulk purchases				(16 887 374)
Other expenditure				(42 015 373)
<b>Total expenditure</b>				<b>(86 235 843)</b>
<b>Surplus/(Deficit)</b>				<b>(13 877 856)</b>
Transfers recognised - capital				25 845 206
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>11 967 350</b>
<b>Surplus/(Deficit) for the year</b>				<b>11 967 350</b>
<b>Capital expenditure and funds sources</b>				

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## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated audited outcome
<b>Cash flows</b>			
Net cash from (used) operating			8 828 841
Net cash from (used) investing			(29 746 485)
Net cash from (used) financing			13 986
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>(20 903 658)</b>
Cash and cash equivalents at the beginning of the year			65 983 097
<b>Cash and cash equivalents at year end</b>			<b>45 079 439</b>

# **Mthonjaneni Local Municipality**

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## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Biological assets**

The entity recognises a biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets is included in surplus or deficit for the period in which it arises.

#### **1.4 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# Mthonjaneni Local Municipality

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## Accounting Policies

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### 1.4 Investment property (continued)

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years
Air-conditioners	15 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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### **1.5 Property, plant and equipment (continued)**

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
<b>Land</b>	
• Land	Indefinite
<b>Buildings</b>	
• Dwellings	30 Years
• Car ports	15 Years
• Fence	25 Years
<b>Plant and machinery</b>	
• Machinery	4 Years
<b>Furniture and fixtures</b>	
• Furniture	7 Years
• Stoves	Stoves
<b>Motor vehicles</b>	
• Private Motor vehicles	7 Years
• Bakkies/ Double cabs	10 Years
• Trailers/ TLB	10 Years
<b>Office Equipment</b>	
• Computer equipment	10 Years
<b>IT Equipment</b>	
• Computer hardware	5 Years
• IT network	7 Years
<b>Infrastructure</b>	
• Dwellings	30 Years
• Bus Shelters	15 Years
• Transformers	50 Years
• Cables	45 Years
• Lines overheads	30 Years
• Feeder Panel	40 Years
• Festive Lights	10 Years
• Asphalt Paved Roads	20 Years
• Asphalt Surface Roads	50 Years
• Unpaved Roads	30 Years
• Landfill site	50 Years
<b>Community</b>	
• Non Residential Buildings	30 Years
• Cemeteries	15 Years
• Cemetery Parking	30 Years
<b>Other property, plant and equipment</b>	
• Stoves	10 Years
• Streetlights	40 Years
<b>Other equipment</b>	
• Advertising equipments	10 Years
• Traffic equipments	7 Years
• Speed equipments	6 Years

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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## Accounting Policies

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### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licenses	10 Years
Computer software, other	5 Years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.



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## **Accounting Policies**

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### **1.7 Heritage assets**

**Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.**

**Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.**

**Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.**

**Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.**

**Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.**

**Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.**

**Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.**

**An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.**

**An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.**

**An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.**

**Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.**

**Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.**

**Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.**

**Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.**

### **Recognition**

**The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.**

### **Initial measurement**

**Heritage assets are measured at cost.**

**Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.**

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### 1.7 Heritage assets (continued)

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

#### Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in . The transitional provision expires on 2015/06/30.

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

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## Accounting Policies

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### 1.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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### 1.8 Financial Instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of utilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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### **1.8 Financial Instruments (continued)**

#### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessional loan is in fact a loan. On initial recognition, the entity analyses a concessional loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessional loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### **Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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## Accounting Policies

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### 1.8 Financial Instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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### **1.8 Financial instruments (continued)**

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### **Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### **1.9 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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## **Accounting Policies**

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### **1.9 Leases (continued)**

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.10 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

### **1.11 Construction contracts and receivables**

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.



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## **Accounting Policies**

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### **1.11 Construction contracts and receivables (continued)**

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### **1.12 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# Mthonjaneni Local Municipality

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## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries; or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Recognition and measurement (Individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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## **Accounting Policies**

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### **1.12 Impairment of cash-generating assets (continued)**

#### **Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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## **Accounting Policies**

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### **1.13 Impairment of non-cash-generating assets (continued)**

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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## **Accounting Policies**

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### **1.13 Impairment of non-cash-generating assets (continued)**

#### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.14 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

**Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.**

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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## **Accounting Policies**

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### **1.14 Employee benefits (continued)**

#### **Other post retirement obligations**

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to Income is made to cover both these liabilities.

### **1.15 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

**Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:**

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.



# **Mthonjaneni Local Municipality**

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## **Accounting Policies**

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### **1.15 Provisions and contingencies (continued)**

#### **Levies**

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

### **1.16 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### **1.17 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

# **Mthonjaneni Local Municipality**

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## **Accounting Policies**

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### **1.18 Revenue from non-exchange transactions (continued)**

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

#### Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

# **Mthonjaneni Local Municipality**

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Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.19 Unauthorised expenditure (continued)**

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.20 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.21 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.22 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### **1.23 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

There are no new standards and interpretations effective in the current year, only the improvements to GRAP5 (Borrowing cost) and GRAP100 (Discontinued operations), which did not have any impact to the municipality

#### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 105 : Transfer or functions between Municipalities under common control.	1 April 2015	The standards will have no impact on the municipality's operations.
GRAP 106 : Transfer of functions between Municipalities not under common control.		
GRAP 107 : Mergers		

### 3. Biological assets

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Plants	2 264 535	-	2 264 535	3 971 018	-	3 971 018

#### Reconciliation of biological assets - 2015

	Opening balance	Impairment loss	Total
Plants	3 971 018	(1 706 483)	2 264 535

#### Reconciliation of biological assets - 2014

	Opening balance	Gains or losses arising from changes in fair value	Impairment loss	Total
Plants	5 136 310	434 108	(1 599 400)	3 971 018

#### Transitional provisions

### 4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 742 760	(334 340)	2 408 420	2 742 760	(293 510)	2 449 250

# Mthonjaneni Local Municipality

(Registration number KZ 285)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

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### 4. Investment property (continued)

#### Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	2 449 250	(40 830)	2 408 420

#### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	2 490 079	(40 829)	2 449 250

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 562 011	-	2 562 011	2 562 011	-	2 562 011
Buildings	41 557 980	(8 615 153)	32 942 827	42 328 692	(7 674 401)	34 654 291
Infrastructure	97 889 731	(7 426 318)	90 463 413	72 124 108	(5 589 128)	66 554 980
Other property, plant and equipment	12 427 902	(5 181 059)	7 266 843	11 148 340	(4 211 042)	6 937 298
Assets under construction	26 485 034	-	26 485 034	33 151 517	-	33 151 517
<b>Total</b>	<b>180 922 658</b>	<b>(21 202 530)</b>	<b>159 720 128</b>	<b>161 314 668</b>	<b>(17 454 571)</b>	<b>143 860 097</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	2 562 011	-	-	-	-	2 562 011
Buildings	34 654 291	276 404	-	(1 438 885)	(548 983)	32 942 827
Infrastructure	66 554 980	329 149	25 436 473	(1 857 189)	-	90 463 413
Other property, plant and equipment	6 937 298	1 806 345	-	(1 322 610)	(154 190)	7 266 843
Assets under construction	33 151 517	18 769 990	(25 436 473)	-	-	26 485 034
	<b>143 860 097</b>	<b>21 181 888</b>	<b>-</b>	<b>(4 618 684)</b>	<b>(703 173)</b>	<b>159 720 128</b>

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	2 562 011	-	-	-	-	-	-	2 562 011
Buildings	20 456 135	1 292 683	-	14 053 409	-	(979 682)	(168 254)	34 654 291
Infrastructure	21 796 932	-	-	45 625 756	-	(867 708)	-	66 554 980
Other property, plant and equipment	4 563 763	3 612 684	(165 087)	-	89 335	(1 163 397)	-	6 937 298
Assets under construction	67 920 690	24 909 992	-	(59 679 165)	-	-	-	33 151 517
	<b>117 299 531</b>	<b>29 815 359</b>	<b>(165 087)</b>	<b>-</b>	<b>89 335</b>	<b>(3 010 787)</b>	<b>(168 254)</b>	<b>143 860 097</b>

#### Reconciliation of Work-In-Progress 2015

	Included within Infrastructure	Total
Opening balance	33 151 516	33 151 516
Additions/capital expenditure	18 769 990	18 769 990
Transferred to completed items	(25 436 473)	(25 436 473)
	<b>26 485 033</b>	<b>26 485 033</b>

#### Reconciliation of Work-In-Progress 2014

	Included within Infrastructure	Total
Opening balance	67 920 690	67 920 690
Additions/capital expenditure	24 909 992	24 909 992
Transferred to completed items	(59 679 166)	(59 679 166)
	<b>33 151 516</b>	<b>33 151 516</b>



# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 5. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	211 544	(86 227)	125 317	211 544	(52 399)	159 145

#### Reconciliation of Intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	159 145	(33 828)	125 317

#### Reconciliation of Intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	40 754	139 610	(21 219)	159 145

### 7. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated Impairment losses	Carrying value	Cost / Valuation	Accumulated Impairment losses	Carrying value
Historical monuments	589	-	589	589	-	589

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Historical monuments	589	589

#### Reconciliation of heritage assets 2014

	Opening balance	Total
Historical monuments	589	589

### 8. Employee benefit obligations

#### Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased. This recommendation is presently being implemented.

The plan is a post employment medical benefit plan.

# Mthonjaneni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>8. Employee benefit obligations (continued)</b>		
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	1 439 000	1 507 000
Net expense recognised in the statement of financial performance	1 124 000	(68 000)
	<b>2 563 000</b>	<b>1 439 000</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	31 000	91 000
Interest cost	127 000	121 000
Actuarial (gains) losses	1 014 000	(236 000)
Benefits Paid	(48 000)	(44 000)
	<b>1 124 000</b>	<b>(68 000)</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Obligation	<b>1 124 000</b>	<b>(68 000)</b>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates	Yield Curve	- % 9,00 %
CPI (Consumer Price Inflation)	Nominal-Yield Curve	- % 7,00 %
Medical Aid Contribution Inflation	CPI+1%	- % 8,00 %
Net Effective Discount Rate	Yield Curve Based	- % 1,00 %
<b>9. Inventories</b>		
Consumable stores	180 833	151 191
Maintenance materials	300 321	468 423
	<b>481 154</b>	<b>620 614</b>
<b>10. Receivables from non-exchange transactions</b>		
Fines	11 348 774	4 790 703
Rates and other Taxes	4 141 262	3 286 486
	<b>15 490 036</b>	<b>8 077 189</b>

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>10. Receivables from non-exchange transactions (continued)</b>		
Reconciliation of receivables from non-exchange transactions (Rates):		
Gross Balance	4 415 923	3 492 203
Allowance for Impairment	(274 660)	(205 717)
Net Balance	4 141 263	3 286 486
<b>Rates : Ageing</b>		
Current (0-30 days)	1 676	990
31-60 days	261 510	240 596
61-90 days	164 926	120 498
91-120 days	151 215	106 741
121-365 days	3 836 596	3 023 378
Provision for bad debts	(274 660)	(205 717)
	4 141 263	3 286 486
<b>Reconciliation of Allowance for impairment (Rates)</b>		
Balance at beginning of the year	(205 717)	-
Contribution to allowance	(68 943)	(205 717)
	(274 660)	(205 717)
<b>Reconciliation of receivables from non-exchange transactions (Traffic Fines)</b>		
Gross Balance	35 464 921	21 549 721
Allowance for impairments	(24 116 147)	(16 759 018)
Net Balance	11 348 774	4 790 703
<b>Reconciliation of allowance for debt impairment (Traffic fines)</b>		
<b>Traffic fines</b>		
Opening Balance	(16 759 018)	-
Contribution During the year	(7 357 128)	(16 759 018)
	(24 116 146)	(16 759 018)
The municipality has one traffic fine billing system. TMT is the outsourced service provider which is responsible for the system used to issue fines for speed traffic offenders. The municipality has two types of fines : spot fines and summonses. Both TMT and the municipality work closely with the Magistrates court to ensure the accurate recording of the status of fines ( including the statuses of summons, appeals, fine withdrawn etc). Monies collected by the Magistrate are transferred to the municipality's bank account.		
<b>11. VAT receivable</b>		
VAT	239 758	793 013
<b>12. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	2 558 325	2 452 613
Refuse	536 056	432 754
Other Debtors	696 728	-
	3 791 109	2 885 367

# Mthonjaneni Local Municipality

(Registration number KZ 285)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>12. Consumer debtors (continued)</b>		
<b>Less: Allowance for Impairment</b>		
Electricity	(40 095)	(38 149)
Refuse	(39 966)	(11 247)
	<b>(80 061)</b>	<b>(49 396)</b>
<b>Net balance</b>		
Electricity	2 518 230	2 414 464
Refuse	496 090	421 507
Other Debtors	696 728	-
	<b>3 711 048</b>	<b>2 835 971</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	2 518 230	2 414 464
Refuse	496 090	421 507
Other Debtors	696 728	-
	<b>3 711 048</b>	<b>2 835 971</b>
<b>Net balance</b>	<b>3 711 048</b>	<b>2 835 971</b>
<b>Electricity</b>		
Current (0 -30 days)	1 698 787	1 766 117
31 - 60 days	20 120	27 336
61 - 90 days	18 420	15 281
91 - 120 days	17 344	17 012
121 - 365 days	763 559	588 719
	<b>2 518 230</b>	<b>2 414 464</b>
<b>Refuse</b>		
Current (0 -30 days)	139 921	147 682
31 - 60 days	22 995	14 815
61 - 90 days	19 713	10 442
91 - 120 days	14 009	9 901
121 - 365 days	299 452	238 667
	<b>496 090</b>	<b>421 507</b>
<b>Other Debtors</b>		
Current (0 -30 days)	696 728	-

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>12. Consumer debtors (continued)</b>		
<b>Total Ageing</b>		
Current (0 -30 days)	2 506 758	1 913 799
31 - 60 days	45 284	42 150
61 - 90 days	40 053	25 723
91 - 120 days	32 942	26 913
121 - 365 days	1 166 072	827 386
	3 791 109	2 835 971
Less: Allowance for impairment	(80 061)	-
	3 711 048	2 835 971
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(18 614)	(32 088)
31 - 60 days	(2 168)	(831)
61 - 90 days	(1 920)	(523)
91 - 120 days	(1 589)	(535)
121 - 365 days	(55 770)	(15 419)
	(80 061)	(49 396)
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(49 396)	(72 675)
Contributions to allowance	(30 665)	-
Reversal of allowance	-	23 279
	(80 061)	(49 396)
<b>Summary of debtors by consumer classification</b>		
<b>Consumers</b>		
Current (0-30 days)	324 015	1 132 321
31-60 days	206 341	193 053
61-90 days	160 333	112 797
91-120 days	143 081	105 567
121-365 days	4 137 506	3 056 727
less : Allowance for impairment	(371 669)	(255 113)
	4 599 607	4 345 352
<b>Commercial/Industrial</b>		
Current (0-30 days)	45	334 440
31-60 days	16 329	18 277
61-90 days	16 087	17 350
91-120 days	15 637	16 391
121-365 days	1 057 146	614 671
	1 105 254	1 001 129
<b>National and Provincial Government</b>		
Current (0-30 days)	53 576	121 076
31-60 days	84 124	106 836
61-90 days	28 549	16 598
91-120 days	25 437	12 232
121-365 days	924 262	498 708
	1 115 948	755 250

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>13. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	746	746
Bank balances	5 804 585	3 108 897
Short-term investment	43 453 768	17 167 022
Investments	-	25 870 397
	<b>49 259 099</b>	<b>46 137 062</b>

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral. An amount of 1540000 is used as guarantee to Eskom in relation of electricity supply. The amount will be payable to eskom should the municipality fail to pay for its electricity.	1 540 000	1 540 000
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### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First National Bank - Current (Main) - 54980006117	5 689 772	3 016 628	4 123 580	5 794 585	3 096 433	(1 057 604)
First National Bank - Current - 62330092470	10 000	12 465	3 000	10 000	12 465	3 000
Investec Bank - Call Account - 435097	16 082 877	6 033 396	-	16 082 877	6 033 396	-
First National Bank - Fixed Deposit- 71245040078	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000
First National Bank - Call Account - 62051262	499 556	500 000	-	499 556	500 000	-
NedBank- Fixed Deposit- 03/7881083174/000010	25 331 336	25 870 397	-	25 331 336	25 870 397	-
NedBank - Fixed Deposit - 03/7881083174/000011	-	9 083 626	-	-	9 083 626	-
<b>Total</b>	<b>49 153 541</b>	<b>46 056 512</b>	<b>5 666 580</b>	<b>49 258 354</b>	<b>46 136 317</b>	<b>485 396</b>

### 14. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Electrification	118 359	-
COGTA	176 776	-
	<b>295 135</b>	<b>-</b>

#### Movement during the year

Additions during the year	21 880 000	-
Income recognition during the year	(21 584 865)	-
	<b>295 135</b>	<b>-</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

# Mthonjaneni Local Municipality

(Registration number KZ 285)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 15. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	4 815 810	-	-	(3 432 283)	1 183 527
Provision for Bonuses	345 937	392 009	(252 289)	-	485 657
Long Service Awards	-	1 199 000	-	-	1 199 000
	<b>4 961 747</b>	<b>1 591 009</b>	<b>(252 289)</b>	<b>(3 432 283)</b>	<b>2 868 184</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	3 449 040	1 166 770	4 615 810
Provision for Bonuses	-	345 937	345 937
	<b>3 449 040</b>	<b>1 512 707</b>	<b>4 961 747</b>
Non-current liabilities		2 382 527	4 615 810
Current liabilities		485 657	345 937
		<b>2 868 184</b>	<b>4 961 747</b>

### 16. Payables from exchange transactions

Trade payables	207 732	608 686
Payments received in advanced	460 801	228 063
Retention	1 690 664	884 393
Sundry Creditors	689 778	641 893
Accrued leave pay	1 709 358	1 347 337
	<b>4 758 333</b>	<b>3 710 472</b>

### 17. Consumer deposits

Electricity	681 620	684 570
Housing rental	337 322	331 656
	<b>1 018 942</b>	<b>1 016 226</b>

### 18. Revenue

Service charges	20 576 708	19 118 537
Rental of facilities and equipment	366 402	244 721
Licences and permits	2 359 911	2 441 629
Other Income	4 911 115	1 463 381
Interest received - investment	2 901 295	4 209 775
Property rates	7 361 564	6 978 531
Property rates - penalties imposed	678 305	527 353
Government grants & subsidies	53 258 865	47 292 108
Fines, Penalties and Forfeits	18 232 020	15 883 762
	<b>110 646 185</b>	<b>98 159 797</b>

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 18. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	20 578 708	19 118 537
Rental of facilities and equipment	366 402	244 721
Licences and permits	2 359 911	2 441 629
Other income - (rollup)	4 911 115	1 463 381
Interest received - investment	2 901 295	4 209 775
	<b>31 115 431</b>	<b>27 478 043</b>

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	7 361 564	6 978 531
Property rates - penalties imposed	678 305	527 353
Transfer revenue		
Government grants & subsidies	53 258 865	47 292 108
Fines, Penalties and Forfeits	18 232 020	15 883 762
	<b>79 530 754</b>	<b>70 681 754</b>

### 19. Property rates

#### Rates received

Residential	2 380 631	2 174 955
Commercial	2 810 420	2 703 456
State	747 928	725 967
Light Industries	1 107 352	1 089 650
Heavy Industries	315 233	304 503
	<b>7 361 564</b>	<b>6 978 531</b>
Property rates - penalties imposed	678 305	527 353
	<b>8 039 869</b>	<b>7 505 884</b>

#### Valuations

Residential	190 455 700	193 485 900
Commercial	167 621 500	148 403 300
State	112 794 600	95 484 600
Municipal	8 661 900	9 719 800
Agriculture	253 893 800	253 718 400
Other Properties	1 119 920 400	1 126 962 500
	<b>1 853 347 900</b>	<b>1 827 774 500</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2015.



# **Mthonjaneni Local Municipality**

(Registration number KZ 285)

Annual Financial Statements for the year ended 30 June 2015

## **Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
<b>20. Service charges</b>		
Service charges	209 661	124 783
Sale of electricity	19 239 302	17 862 122
Refuse removal	1 127 745	1 131 632
	<b>20 576 708</b>	<b>19 118 537</b>

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>21. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	31 674 000	17 035 000
EPWP	2 375 000	1 139 247
Government grant (operating) 2	-	28 999
FMG	1 800 000	1 650 000
MSIG	934 000	890 000
Government grant (operating) 5	-	69 656
Library	535 000	634 000
COGTA	323 224	-
Cyber cadet	126 000	-
	37 767 224	21 448 902
<b>Capital grants</b>		
MIG	12 610 000	16 522 324
Electrification	2 881 641	5 263 099
Small Town Rehabilitation	-	1 884 920
Ndundulu Stalls	-	2 174 863
	15 491 641	25 845 206
	<b>53 258 865</b>	<b>47 292 108</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	21 584 865	30 257 108
Unconditional grants received	31 674 000	17 035 000
	<b>53 258 865</b>	<b>47 292 108</b>

### MIG

Balance unspent at beginning of year	-	4 035 324
Current-year receipts	12 610 000	12 487 000
Conditions met - transferred to revenue	(12 610 000)	(16 522 324)
	-	-

### INEG

Balance unspent at beginning of year	-	5 263 099
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(2 881 641)	(5 263 099)
	<b>118 359</b>	-

### Library

Current-year receipts	661 000	634 000
Conditions met - transferred to revenue	(661 000)	(634 000)
	-	-

### EPWP

Balance unspent at beginning of year	-	139 247
Current-year receipts	2 375 000	1 000 000
Conditions met - transferred to revenue	(2 375 000)	(1 139 247)

# Mthonjaneni Local Municipality

(Registration number KZ 285)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>21. Government grants and subsidies (continued)</b>		
<b>MSIG</b>		
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-
<b>FMG</b>		
Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 800 000)	(1 650 000)
	-	-
<b>COGTA</b>		
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(323 224)	-
	176 776	-
<b>22. Other income</b>		
Sundry Income	4 383 469	916 501
Building Plan Fees	16 590	11 963
Cemetery Fees	41 939	8 795
Business Licenses	2 000	2 105
Subdivisions	-	8 883
Swimming Pool	6 836	6 477
Rates Clearance Certificate	2 409	2 920
Hoardings	421 756	39 737
Photocopying	28 101	31 938
Valuation Certificates	279	354
Tourism & Information	-	600
Insurance Claim	7 736	-
Fair Value Adjustment Biological Assets	-	434 106
	4 911 115	1 463 381

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. General expenses</b>		
Advertising	273 882	238 746
Auditors remuneration	1 487 696	1 274 703
Bank charges	162 120	143 416
Cleaning	263 964	267 760
Pauper Burial	302 500	149 215
Consulting and professional fees	219 197	116 573
Consumables	293 504	190 367
Contributions to bad debt provision	9 392 931	18 996 507
Food for Waste	876 182	473 385
Job Evaluation	10 000	-
Campaigns and Awareness	-	40 023
Insurance	351 403	198 262
Cultural/Sports activities	287 206	251 383
Conferences and seminars	488 108	388 616
Consulting (Assets Unbundling)	175 000	-
Informal traders	8 136	100
Uthungulu Water	92 105	-
Indigent Register	129 000	-
Performance Management Support	60 000	-
Indigent Support	80 000	28 553
Special Programmes	63 972	-
Fuel and oil	535 816	504 385
Printing and stationery	378 379	300 580
Protective clothing	251 377	208 066
LED Projects	88 528	18 580
Grants in aid	40 000	39 900
Security (Guarding of municipal property)	1 237 810	978 052
General Valuation Roll	777 930	-
Staff welfare	34 848	89 766
Subscriptions and membership fees	656 304	571 977
Telephone and fax	662 227	623 275
Transport and freight	149 971	189 969
Subsistence and travelling	324 006	236 380
Grants Expenditure	5 184 765	5 118 427
Refuse	397 815	541 350
Staff development	155 346	51 255
Minor Assets	984 282	758 639
Youth activities	-	132 809
Tourism development	90 000	36 622
Contract labour	-	1 342 267
Bursaries	76 000	80 000
Disaster Management	121 188	141 192
Inspection fees	1 415	3 152
Ward Committees	399 920	379 052
Public participation	142 786	370 378
Ward projects	50 000	44 880
Workmens compensation	165 010	103 341
OPS Room	199 646	-
Other expenses	152 304	235 634
	<b>28 274 579</b>	<b>35 859 537</b>

# Mthonjaneni Local Municipality

(Registration number KZ 285)

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>24. Employee related costs</b>		
Basic	14 443 377	11 891 988
Bonus	139 721	-
Medical aid - company contributions	979 633	694 552
UIF	150 834	128 166
SDL	211 299	176 361
Allowances	512 335	396 509
Overtime	1 016 740	848 249
Defined contribution plans	1 794 474	1 569 309
Travel, motor car, accommodation, subsistence and other allowances	628 975	597 360
Long-service awards	36 608	59 799
Housing benefits and allowances	46 800	-
	<b>19 960 796</b>	<b>16 362 293</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	783 996	723 923
Car Allowance	167 710	162 000
Performance Bonuses	75 679	-
Contributions to UIF, Medical and Pension Funds	11 819	10 380
	<b>1 039 204</b>	<b>896 303</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	675 994	622 501
Car Allowance	174 629	165 000
Performance Bonuses	92 509	-
Contributions to UIF, Medical and Pension Funds	11 069	9 437
	<b>954 201</b>	<b>796 938</b>
<b>Remuneration of Technical directors</b>		
Annual Remuneration	683 491	631 593
Car Allowance	157 505	156 000
Performance Bonuses	84 100	-
Contributions to UIF, Medical and Pension Funds	10 802	9 348
	<b>935 898</b>	<b>796 941</b>
<b>Remuneration of corporate director</b>		
Annual Remuneration	731 666	630 068
Car Allowance	91 000	157 505
Contributions to UIF, Medical and Pension Funds	9 282	9 345
	<b>831 948</b>	<b>796 938</b>
<b>25. Remuneration of councillors</b>		
Executive Major	364 690	328 295
Deputy Executive Mayor	294 300	278 778
Mayoral Committee Members	540 557	486 496
Speaker	294 025	278 778
Councillors	1 204 395	1 185 344
Councillors' pension contribution	245 542	285 503
	<b>2 943 509</b>	<b>2 843 194</b>

# Mthonjaneni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>25. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are part-time. They are provided with an office and secretarial support at cost of the Council.		
The Mayor and the Speaker each have the use of the Council owned vehicles for official use.		
The Mayor and the Speaker each have two full-time bodyguards.		
<b>26. Permits and Licences</b>		
Licences	2 101 875	2 154 297
Registration	202 526	206 142
Vehicles	55 510	81 190
	<b>2 359 911</b>	<b>2 441 629</b>
<b>27. Rental of Facilities and Equipments</b>		
Ranks and Stall Fees	1 183	10 898
Commonage	151 163	150 748
Hire of Halls	48 046	53 993
Lease of Townlands	134 289	-
Staff Housing	31 741	29 282
	<b>366 402</b>	<b>244 721</b>
<b>28. Investment revenue</b>		
Interest revenue		
Interest on Investments	2 901 295	4 209 775
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	4 518 584	3 010 787
Investment Property	40 829	40 829
Intangible assets	33 828	21 219
	<b>4 693 341</b>	<b>3 072 835</b>
<b>30. Impairment of assets</b>		
Impairments		
Property, plant and equipment	2 409 656	1 767 654
<b>31. Auditors' remuneration</b>		
Fees	1 487 696	1 274 703
<b>32. Contracted services</b>		
Law Enforcement	2 366 269	4 040 942

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>33. Repairs and maintenance</b>		
Buildings	610 456	547 170
Computers	33 935	40 438
Equipments	501 915	327 349
Roads and sidewalks	306 552	399 903
Refuse sites	387 160	307 782
Vehicles	828 166	455 091
Rural Grass Cutting	97 656	37 160
	<b>2 765 840</b>	<b>2 114 893</b>
<b>34. Bulk purchases</b>		
Electricity	18 194 021	16 887 374
<b>35. Cash generated from operations</b>		
Surplus	25 276 923	11 967 350
Adjustments for:		
Depreciation and amortisation	4 693 341	3 072 835
Loss on sale of assets and liabilities	-	(43 396)
Impairment deficit	2 409 656	1 767 654
Movements in retirement benefit assets and liabilities	267 000	(68 000)
Movements in provisions	(2 093 563)	17 194 777
Contribution to long service awards obligation	-	52 000
Fair value adjustments	-	(434 108)
Changes in working capital:		
Inventories	139 460	(212 208)
Consumer debtors	(875 077)	(310 381)
Other receivables from non-exchange transactions	(7 412 847)	(12 630 774)
Payables from exchange transactions	1 047 861	(135 115)
VAT	553 255	-
Unspent conditional grants and receipts	295 135	(13 526 453)
Consumer deposits	2 716	-
provisions	-	2 134 660
	<b>24 303 860</b>	<b>8 828 841</b>

# Mthonjaneni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>36. Commitments</b>		
<b>Authorised capital expenditure</b>		
Already contracted for but not provided for		
• Property, plant and equipment	1 811 850	884 393
<b>Total capital commitments</b>		
Already contracted for but not provided for	1 811 850	884 393
<b>other</b>		
<b>Total commitments</b>		
Total commitments		
Authorised capital expenditure	1 811 850	884 393
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	31 674	47 511
- in second to fifth year inclusive	-	31 674
	31 674	79 185
Operating lease payments represent rentals payable by the municipality in respect of switch boards line. No contingent rent is payable.		
<b>Operating leases - as lessor (Income)</b>		
<b>Minimum lease payments due</b>		
- within one year	140 000	140 000
- in second to fifth year inclusive	560 000	560 000
- later than five years	466 667	606 667
	1 166 667	1 306 667

Certain commonage and vacant land is held to generate rental income. Lease agreements are non-cancellable and there are no contingent rents receivable.



# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 37. Related parties

The following councillors and key management owes the municipality in respect of the traffic fines as at 30 June 2015.

#### Related party balances

R.P Mnguni	: Municipal Manager	9 000	7 950
G.B Buthelezi	: Director Corporate	-	100
M.N Ndlangamandla	: Mayor	4 950	3 250
G.V.P Gumede	: Deputy Mayor	-	800
N.A Jiyane	: Speaker	2 900	2 650
N.E Mgenge	: Councillor	-	1 800
H.K Zungu	: Councillor	4 700	2 700
E.M Maelkane	: Councillor	200	200
P.E Ntombela	: Councillor	1 250	2 150
M.S Zulu	: Councillor	-	150
S.B.K Biyela	: Councillor	-	2 300
B.M Ndwandwe	: Councillor	250	-

### 38. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Financial liabilities exposed to credit risk at year end are as follows.

<b>Financial Liabilities</b>		
Trade and other payables from exchange transactions	4 615 356	3 710 472

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 38. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Financial Instrument	2015	2014
Investments	-	25 870 397
Cash and cash Equivalent	49 259 099	20 266 665
Trade and other Receivables	19 136 852	10 913 160

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors which includes amongs other the following:

- (a) The accounting officer continue to procure funding for the ongoing operations for the municipality.
- (b) The Municipality have not loss any of key customers or principal suppliers.
- (c) The municipality does not experience labour difficulties.
- (d) The municipality does not have shortage of important suppliers.
- (e) Financial indicators(ratios), financial results,bank account balance and net asset are all positive.

### 40. Unauthorised expenditure

Opening Balance	19 564 161	19 564 161
Add: Current year	-	-
	19 564 161	19 564 161

### 41. Fruitless and wasteful expenditure

Opening Balance	827	827
add: Current Year	12 258	-
	13 085	827

### 42. Irregular expenditure

Opening balance	34 843 192	-
Add: Irregular Expenditure - current year	9 023 826	34 843 192
	43 867 018	34 843 192

# Mthonjaneni Local Municipality

(Registration number KZ 285)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 42. Irregular expenditure (continued)

#### Analysis of expenditure awaiting condonation per age classification

Current year	9 023 826	34 843 192
Prior years	34 843 192	-
	<b>43 867 018</b>	<b>34 843 192</b>

#### Details of Irregular expenditure – current year

A Bid Adjudication Committee should consist of at least four senior managers, the municipality had only three as a result all expenditures incurred through competitive bidding process become irregular.

Disciplinary steps taken  
Not necessary

34 843 192

### 43. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	271 036	256 151
Amount paid - current year	(271 036)	(256 151)

#### Material Distribution losses

Units lost ( Kilowatts)	1 643 877	1 562 888
Units lost (Selling Price)	1 857 582	1 270 628
Units lost ( Purchase Price)	1 837 302	893 141
Units lost ( Percentage)	8.99 %	8.39%

#### Audit fees

Opening balance	-	45 433
Current year subscription / fee	1 057 954	928 766
Amount paid - current year	(1 057 954)	(928 766)
Amount paid - previous years	-	(45 433)

#### PAYE and UIF

Current year subscription / fee	3 740 329	3 219 413
Amount paid - current year	(3 740 329)	(3 219 413)

#### Pension and Medical Aid Deductions

Current year subscription / fee	4 870 319	4 045 191
Amount paid - current year	(4 870 319)	(4 045 191)

# Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 43. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### VAT

VAT receivable	239 758	793 013
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All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Speaker: Councillor Jiyane	323	16 387	16 710
<b>30 June 2014</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Speaker : Councillor Jiyane	326	17 208	17 534
Councillor Masikane	81	310	391
	407	17 518	17 925

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Speaker : Councillor Jiyane	17 208	180
Councillor Masikane	391	180
	17 599	360
<b>30 June 2014</b>	<b>Highest outstanding amount</b>	<b>Aging (in days)</b>
Speaker : Councillor Jiyane	17 208	180
Councillor Masikane	391	180
	17 599	360

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

<b>Incident</b>		
Emergency	7 933	1 102 944
Impractical and impossible to follow official SCM processes	174 561	-
	<b>182 494</b>	<b>1 102 944</b>

# **Mthonjaneni Local Municipality**

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Annual Financial Statements for the year ended 30 June 2015

## **Notes to the Annual Financial Statements**

Figures in Rand

2015

2014

### **44. Budget differences**

#### **Material differences between budget and actual amounts**

##### **- Contracted Services:**

The variance between actual and both the approved and the final budget of 14% for the contracted services was due to fire services which were previously contracted for by the municipality. These services were absorbed by the municipality during the financial year.

##### **-General Expenses**

The positive variance between actual and the final budget of 13% ( 61% over approved budget) for general expenses was due to the success of the stringent cost cutting measures which the municipality embarked on during the financial year.

##### **- Rental of Facilities**

The variance between actual and both the approved and the final budget of 16% for rental of facilities was due to the fact that some facilities were not utilised as anticipated.

##### **- Licences and Permits**

The variance between actual and both the approved and the final budget of 30% for licences and permits was due to the fact that the municipality did not issue as much of licences and permits as projected.

##### **- Rates**

The variance between actual and both the approved and the final budget of 21% for rates was due to the fact that the municipality did not bill as much of rates as projected.

##### **- Other Income**

A positive variance between actual and the final budget of 443% (920% approved budget) for other income was due to reduction of provision for landfill site rehabilitation which was not anticipated.

### **45. Unaudited Supplementary Schedules**

The supplementary information presented does not form part of the Annual Financial Statements and is unaudited.

**Mthonjaneni Local Municipality**  
**Mthonjaneni Local Municipality**  
**Appendix B**

June 2015

**Analysis of property, plant and equipment as at 30 June 2015**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	2 562 011						2 562 011							2 562 011
Landfill Sites (Separate for AFS purposes)														
Quarries (Separate for AFS purposes)														
Buildings (Separate for AFS purposes)	42 328 881	278 404	(1 047 118)				41 559 167	(7 874 401)	1 047 118		(1 438 885)	(548 982)	(8 615 152)	32 842 827
	44 680 702	278 404	(1 047 118)				44 118 980	(7 874 401)	1 047 118		(1 438 885)	(548 982)	(8 615 152)	35 504 838
<b>Infrastructure</b>														
Roads, Pavements & Bridges	62 740 189						62 740 189	(2 052 437)			(1 615 725)		(3 668 162)	59 072 027
Storm water														
Generation														
Transmission & Retention	9 075 407	25 765 624					34 841 031	(3 480 513)			(227 598)		(3 708 112)	31 132 819
Street lighting														
Dams & Reservoirs														
Water purification														
Refraction														
Refraction														
Sewerage purification														
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)														
Housing														
Waste Management	308 510						308 510	(36 178)			(13 864)		(50 043)	258 467
Gas														
Other (fibre optic, WIFI infrastructure)														
Other 1														
	72 124 108	25 765 624					97 889 730	(5 508 129)			(1 857 189)		(7 428 317)	90 463 413
<b>Community Assets</b>														
Parks & gardens														
Sportsfields and stadium														
Swimming pools														
Community halls														
Libraries														
Recreational facilities														
Clinics														
Museums & art galleries														
Other														
Social rental housing														
Cemeteries	945 750						945 750	(490 650)			(58 805)		(539 255)	406 495
Fire, safety & emergency														
Security and policing														
Buses														
	945 750						945 750	(490 650)			(58 805)		(539 255)	406 495

**Mthonjaneni Local Municipality**  
**Mthonjaneni Local Municipality**  
**Appendix B**  
June 2015

**Analysis of property, plant and equipment as at 30 June 2015**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Operating Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	569	-	-	-	-	-	569	-	-	-	-	-	-	569
Other	509	-	-	-	-	-	509	-	-	-	-	-	-	509
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fires	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conspicuity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	7 088 937	1 479 902	(434 039)	-	-	-	8 546 839	(2 341 789)	434 039	-	(892 177)	-	(3 233 946)	5 312 893
Plant & equipment	1 701 123	254 186	(23 997)	-	-	-	1 931 312	(851 474)	23 997	-	(183 735)	(112 550)	(633 720)	1 027 552
Computer Equipment	680 349	6 895	-	-	-	-	687 244	(277 236)	-	-	(95 030)	(15 120)	(383 388)	298 858
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	754 181	35 360	(88 748)	-	-	-	700 793	(459 913)	68 747	-	(83 062)	(28 519)	(500 747)	220 046
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airfields	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Marinas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alperts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bira and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	33 151 518	18 789 991	(25 438 473)	-	-	-	26 485 034	-	-	-	-	-	-	26 485 034
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>43 354 106</b>	<b>20 878 336</b>	<b>(528 784)</b>	<b>(25 438 473)</b>	<b>-</b>	<b>-</b>	<b>37 987 185</b>	<b>(3 730 352)</b>	<b>528 783</b>	<b>-</b>	<b>(1 284 004)</b>	<b>(154 189)</b>	<b>(4 821 802)</b>	<b>33 345 383</b>

# Mthonjaneni Local Municipality

## Mthonjaneni Local Municipality

### Appendix B

June 2015

## Analysis of property, plant and equipment as at 30 June 2015

### Cost/Revaluation

### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	44 890 702	276 404	(1 047 118)	-	-	-	44 119 988	(7 674 401)	1 047 116	-	(1 438 885)	(548 982)	(8 615 152)	35 504 836
Infrastructure	72 124 106	25 765 824	-	-	-	-	97 889 730	(5 588 128)	-	-	(1 857 186)	-	(7 428 317)	90 463 413
Community Assets	945 750	-	-	-	-	-	945 750	(480 650)	-	-	(58 605)	-	(538 255)	406 495
Heritage assets	589	-	-	-	-	-	589	-	-	-	-	-	-	589
Specialised vehicles	43 354 106	20 576 336	(526 764)	(25 436 473)	-	-	37 967 165	(3 730 362)	526 763	-	(1 264 004)	(154 189)	(4 621 802)	33 345 363
Other assets	161 313 253	46 818 364	(1 573 900)	(25 436 473)	-	-	180 623 244	(17 484 572)	1 573 899	-	(4 618 682)	(703 471)	(21 202 526)	169 720 716
<b>Agricultural/Biological assets</b>														
Agricultural	3 971 018	-	-	-	-	-	3 971 018	-	-	-	-	(1 706 483)	(1 706 483)	2 264 535
Biological assets	3 971 018	-	-	-	-	-	3 971 018	-	-	-	-	(1 706 483)	(1 706 483)	2 264 535
<b>Intangible assets</b>														
Computers - software & programming	211 544	-	-	-	-	-	211 544	(32 369)	-	-	(33 626)	-	(96 227)	125 317
Other	211 544	-	-	-	-	-	211 544	(32 369)	-	-	(33 626)	-	(96 227)	125 317
<b>Investment properties</b>														
Investment property	2 742 760	-	-	-	-	-	2 742 760	(293 510)	-	-	(40 828)	-	(334 338)	2 408 421
<b>Total</b>	<b>2 742 760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 742 760</b>	<b>(293 510)</b>	<b>-</b>	<b>-</b>	<b>(40 828)</b>	<b>-</b>	<b>(334 338)</b>	<b>2 408 421</b>
<b>Land and buildings</b>	<b>44 890 702</b>	<b>276 404</b>	<b>(1 047 118)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44 119 988</b>	<b>(7 674 401)</b>	<b>1 047 116</b>	<b>-</b>	<b>(1 438 885)</b>	<b>(548 982)</b>	<b>(8 615 152)</b>	<b>35 504 836</b>
<b>Infrastructure</b>	<b>72 124 106</b>	<b>25 765 824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97 889 730</b>	<b>(5 588 128)</b>	<b>-</b>	<b>-</b>	<b>(1 857 186)</b>	<b>-</b>	<b>(7 428 317)</b>	<b>90 463 413</b>
<b>Community Assets</b>	<b>945 750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>945 750</b>	<b>(480 650)</b>	<b>-</b>	<b>-</b>	<b>(58 605)</b>	<b>-</b>	<b>(538 255)</b>	<b>406 495</b>
<b>Heritage assets</b>	<b>589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>589</b>
<b>Specialised vehicles</b>	<b>43 354 106</b>	<b>20 576 336</b>	<b>(526 764)</b>	<b>(25 436 473)</b>	<b>-</b>	<b>-</b>	<b>37 967 165</b>	<b>(3 730 362)</b>	<b>526 763</b>	<b>-</b>	<b>(1 264 004)</b>	<b>(154 189)</b>	<b>(4 621 802)</b>	<b>33 345 363</b>
<b>Other assets</b>	<b>161 313 253</b>	<b>46 818 364</b>	<b>(1 573 900)</b>	<b>(25 436 473)</b>	<b>-</b>	<b>-</b>	<b>180 623 244</b>	<b>(17 484 572)</b>	<b>1 573 899</b>	<b>-</b>	<b>(4 618 682)</b>	<b>(703 471)</b>	<b>(21 202 526)</b>	<b>169 720 716</b>
<b>Agricultural/Biological assets</b>														
<b>Agricultural</b>	<b>3 971 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 971 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 706 483)</b>	<b>(1 706 483)</b>	<b>2 264 535</b>
<b>Biological assets</b>	<b>3 971 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 971 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 706 483)</b>	<b>(1 706 483)</b>	<b>2 264 535</b>
<b>Intangible assets</b>														
<b>Computers - software &amp; programming</b>	<b>211 544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211 544</b>	<b>(32 369)</b>	<b>-</b>	<b>-</b>	<b>(33 626)</b>	<b>-</b>	<b>(96 227)</b>	<b>125 317</b>
<b>Other</b>	<b>211 544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211 544</b>	<b>(32 369)</b>	<b>-</b>	<b>-</b>	<b>(33 626)</b>	<b>-</b>	<b>(96 227)</b>	<b>125 317</b>
<b>Investment properties</b>														
<b>Investment property</b>	<b>2 742 760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 742 760</b>	<b>(293 510)</b>	<b>-</b>	<b>-</b>	<b>(40 828)</b>	<b>-</b>	<b>(334 338)</b>	<b>2 408 421</b>
<b>Total</b>	<b>2 742 760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 742 760</b>	<b>(293 510)</b>	<b>-</b>	<b>-</b>	<b>(40 828)</b>	<b>-</b>	<b>(334 338)</b>	<b>2 408 421</b>
<b>Land and buildings</b>	<b>44 890 702</b>	<b>276 404</b>	<b>(1 047 118)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44 119 988</b>	<b>(7 674 401)</b>	<b>1 047 116</b>	<b>-</b>	<b>(1 438 885)</b>	<b>(548 982)</b>	<b>(8 615 152)</b>	<b>35 504 836</b>
<b>Infrastructure</b>	<b>72 124 106</b>	<b>25 765 824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97 889 730</b>	<b>(5 588 128)</b>	<b>-</b>	<b>-</b>	<b>(1 857 186)</b>	<b>-</b>	<b>(7 428 317)</b>	<b>90 463 413</b>
<b>Community Assets</b>	<b>945 750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>945 750</b>	<b>(480 650)</b>	<b>-</b>	<b>-</b>	<b>(58 605)</b>	<b>-</b>	<b>(538 255)</b>	<b>406 495</b>
<b>Heritage assets</b>	<b>589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>589</b>
<b>Specialised vehicles</b>	<b>43 354 106</b>	<b>20 576 336</b>	<b>(526 764)</b>	<b>(25 436 473)</b>	<b>-</b>	<b>-</b>	<b>37 967 165</b>	<b>(3 730 362)</b>	<b>526 763</b>	<b>-</b>	<b>(1 264 004)</b>	<b>(154 189)</b>	<b>(4 621 802)</b>	<b>33 345 363</b>
<b>Other assets</b>	<b>161 313 253</b>	<b>46 818 364</b>	<b>(1 573 900)</b>	<b>(25 436 473)</b>	<b>-</b>	<b>-</b>	<b>180 623 244</b>	<b>(17 484 572)</b>	<b>1 573 899</b>	<b>-</b>	<b>(4 618 682)</b>	<b>(703 471)</b>	<b>(21 202 526)</b>	<b>169 720 716</b>
<b>Agricultural/Biological assets</b>														
<b>Agricultural</b>	<b>3 971 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 971 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 706 483)</b>	<b>(1 706 483)</b>	<b>2 264 535</b>
<b>Biological assets</b>	<b>3 971 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 971 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 706 483)</b>	<b>(1 706 483)</b>	<b>2 264 535</b>
<b>Intangible assets</b>														
<b>Computers - software &amp; programming</b>	<b>211 544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211 544</b>	<b>(32 369)</b>	<b>-</b>	<b>-</b>	<b>(33 626)</b>	<b>-</b>	<b>(96 227)</b>	<b>125 317</b>
<b>Other</b>	<b>211 544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211 544</b>	<b>(32 369)</b>	<b>-</b>	<b>-</b>	<b>(33 626)</b>	<b>-</b>	<b>(96 227)</b>	<b>125 317</b>
<b>Investment properties</b>														
<b>Investment property</b>	<b>2 742 760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 742 760</b>	<b>(293 510)</b>	<b>-</b>	<b>-</b>	<b>(40 828)</b>	<b>-</b>	<b>(334 338)</b>	<b>2 408 421</b>
<b>Total</b>	<b>2 742 760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 742 760</b>	<b>(293 510)</b>	<b>-</b>	<b>-</b>	<b>(40 828)</b>	<b>-</b>	<b>(334 338)</b>	<b>2 408 421</b>



**Mthonjaneni Local Municipality**  
**Mthonjaneni Local Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other charges, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	2 562 011	-	-	-	-	-	2 562 011	-	-	-	-	-	-	2 562 011
Landfill sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	27 208 863	15 346 091	(226 363)	-	-	-	42 328 591	(6 762 646)	(979 641)	-	226 363	(168 255)	(7 674 401)	34 554 290
	28 770 964	15 346 091	(226 363)	-	-	-	44 890 762	(6 762 646)	(979 641)	-	226 363	(168 255)	(7 674 401)	37 210 361
<b>Infrastructure</b>														
Roads, Pavements & Bridges	18 075 142	44 665 046	-	-	-	-	62 740 188	(1 401 827)	-	-	(650 609)	-	(2 052 436)	60 687 752
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	8 366 831	765 826	(69 263)	-	-	-	8 075 407	(3 360 117)	69 263	-	(209 648)	-	(3 490 512)	5 594 895
Transmission & Refurbishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	(537)	644	-	(107)	-	-	-
Dams & Reservoirs	5 377	-	(5 377)	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refurbishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refurbishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	143 629	184 660	-	-	-	-	308 609	(26 725)	(7 453)	-	-	-	(36 176)	272 331
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other ( fibre optic, WIFI Infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	29 592 979	45 625 765	(94 630)	-	-	-	72 124 104	(4 791 265)	62 444	-	(600 364)	-	(5 569 126)	66 564 978
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	945 749	-	-	-	-	-	945 749	(422 007)	-	-	(56 641)	-	(400 649)	405 101
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	945 749	-	-	-	-	-	945 749	(422 007)	-	-	(56 641)	-	(400 649)	405 101

**Mthonjaneni Local Municipality**  
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**Appendix B**  
June 2015

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	588	-	-	-	-	-	588	-	-	-	-	-	-	588
Other	588	-	-	-	-	-	588	-	-	-	-	-	-	588
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	4 221 863	3 361 877	(516 803)	-	-	-	7 066 937	(2 130 273)	460 313	-	(671 809)	-	(2 341 769)	4 725 168
Plant & equipment	2 138 851	163 194	(600 722)	-	-	-	1 701 123	(1 009 829)	585 982	-	(227 836)	-	(481 473)	1 049 850
Computer Equipment	724 862	63 208	(107 541)	-	-	-	680 348	(274 821)	107 542	-	(109 857)	-	(277 238)	403 113
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	821 981	24 804	(92 385)	-	-	-	754 180	(467 254)	92 385	-	(85 044)	-	(469 913)	294 267
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	617 920 660	24 909 992	-	(59 679 186)	-	-	33 151 516	-	-	-	-	-	-	33 151 516
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>75 827 847</b>	<b>28 832 675</b>	<b>(1 317 251)</b>	<b>(59 679 186)</b>	<b>-</b>	<b>-</b>	<b>43 354 105</b>	<b>(3 871 977)</b>	<b>1 248 232</b>	<b>-</b>	<b>(1 104 846)</b>	<b>-</b>	<b>(3 730 381)</b>	<b>39 823 714</b>

**Mthonjaneni Local Municipality**  
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**Appendix B**

June 2015

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other charges, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	20 770 994	15 946 091	(228 393)	-	-	-	44 660 702	(8 752 848)	(878 081)	-	228 383	(106 205)	(7 874 401)	37 216 301
Infrastructure	26 592 979	45 625 755	(94 630)	-	-	-	72 124 104	(4 791 206)	82 444	-	(560 364)	-	(5 369 126)	66 554 978
Community Assets	945 749	-	-	-	-	-	945 749	(422 007)	-	-	(58 641)	-	(480 648)	465 101
Heritage assets	598	-	-	-	-	-	598	-	-	-	-	-	-	598
Specialised vehicles	75 827 847	28 522 675	(1 317 251)	(58 879 166)	-	-	43 354 105	(3 871 977)	1 246 232	-	(1 104 646)	-	(3 730 391)	39 623 714
Other assets	133 136 157	89 494 921	(1 638 264)	(88 678 169)	-	-	161 315 246	(15 838 038)	348 995	-	(1 797 289)	(106 253)	(17 454 566)	143 866 862
<b>Agricultural/biological assets</b>														
Agricultural	5 136 310	-	-	-	434 107	-	5 570 417	-	-	-	-	(1 598 369)	(1 598 369)	3 971 018
Biological assets	5 136 310	-	-	-	434 107	-	5 570 417	-	-	-	-	(1 598 369)	(1 598 369)	3 971 018
<b>Intangible assets</b>														
Computers - software & programming	71 933	139 610	-	-	-	-	211 543	(31 180)	-	-	(21 216)	-	(52 398)	159 145
Other	71 933	139 610	-	-	-	-	211 543	(31 180)	-	-	(21 216)	-	(52 398)	159 145
<b>Investment properties</b>														
Investment property	2 742 760	-	-	-	-	-	2 742 760	(252 880)	-	-	(40 829)	-	(293 809)	2 448 951
	2 742 760	-	-	-	-	-	2 742 760	(252 880)	-	-	(40 829)	-	(293 809)	2 448 951
<b>Total</b>														
Land and buildings	20 770 994	15 946 091	(228 393)	-	-	-	44 660 702	(8 752 848)	(878 081)	-	228 383	(106 205)	(7 874 401)	37 216 301
Infrastructure	26 592 979	45 625 755	(94 630)	-	-	-	72 124 104	(4 791 206)	82 444	-	(560 364)	-	(5 369 126)	66 554 978
Community Assets	945 749	-	-	-	-	-	945 749	(422 007)	-	-	(58 641)	-	(480 648)	465 101
Heritage assets	598	-	-	-	-	-	598	-	-	-	-	-	-	598
Specialised vehicles	75 827 847	28 522 675	(1 317 251)	(58 879 166)	-	-	43 354 105	(3 871 977)	1 246 232	-	(1 104 646)	-	(3 730 391)	39 623 714
Other assets	5 136 310	-	-	-	434 107	-	5 570 417	-	-	-	-	(1 598 369)	(1 598 369)	3 971 018
Agricultural/Biological assets	71 933	139 610	-	-	-	-	211 543	(31 180)	-	-	(21 216)	-	(52 398)	159 145
Intangible assets	2 742 760	-	-	-	-	-	2 742 760	(252 880)	-	-	(40 829)	-	(293 809)	2 448 951
Investment properties	141 088 180	89 634 131	(1 638 264)	(88 679 169)	434 107	-	169 839 965	(16 121 896)	348 995	-	(1 896 315)	(1 767 854)	(19 395 872)	130 448 995

## June 2015

**ipment as at 30 June 2015**  
**Accumulated Depreciation**

**Municipal Owned Entities**Total

## સુગ્રીવ વાંચક

**Segmental analysis of property, plant and equipment as at 30 June 2015**  
**Accumulated Depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Operating Balance Rand	Depreciate Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
181 314 868	21 181 897	(1 573 910)	-	-	-	189 922 855	(17 454 871)	1 573 910	-	(4 918 892)	(703 173)	(21 202 926)	168 720 139

## June 2015

[illegible]

97 683 088	85 801 735	11 881 353	Municipality	110 109 534	84 879 746	25 229 788
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>	<b>Rand</b>	<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>97 683 088</b>	<b>85 801 735</b>	<b>11 881 353</b>	<b>Total</b>	<b>110 109 534</b>	<b>84 879 746</b>	<b>25 229 788</b>

